

UNIFIED SCHOOL DISTRICT NO. 108
WASHINGTON, KANSAS

REPORT ON AUDIT
SPECIAL FINANCIAL STATEMENTS

JUNE 30, 2014

BRUNA AUDITING SERVICES LLC
DEREK BRUNA
CERTIFIED PUBLIC ACCOUNTANT
WASHINGTON, KANSAS

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

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BAS LLC
Bruna Auditing Services LLC
Derek Bruna, CPA

201 C Street
Washington, KS 66968
Phone: (785)-325-2061
Fax: (785)-325-2194

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Unified School District No. 108
Washington, Kansas 66968

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Unified School District No. 108, as of and for the year ended June 30, 2014 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note A to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A of the financial statement, the financial statement is prepared by the Unified School District No. 108 to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 108" as of June 30, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting


In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Unified School District No. 108 as of June 30, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note A.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note A.

The 2013 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget (Statement 3 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2014 basic financial statement upon which we rendered an unmodified opinion dated November 10, 2014. The 2013 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statement. The 2013 comparative information was subjected to the auditing procedures applied in the audit of the 2013 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 basic financial statement or to the 2013 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 comparative information is fairly stated in all material respects in relation to the 2013 basic financial statement as a whole, on the basis of accounting described in Note A.

Bruna Auditing Services LLC


Derek Bruna, CPA
Washington, Kansas
November 10, 2014

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
Regulatory Basis
For The Year Ended June 30, 2014

Fund	Statement Number	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances & A/P	STATEMENT 1	
								Ending Cash Balance	
General Funds:									
General Fund	3-1	\$	0 \$	0 \$	2,835,131 \$	2,835,131 \$	817 \$	817	
Supplemental General	3-2			0	1,047,564	1,023,349	6,874	93,667	
						86,793			
Special Purpose Funds:									
At Risk-(K 12) Fund	3-3	0	0	245,498	245,498	0	0	0	
Capital Outlay Fund	3-4	324,257	0	19,559	78,115	265,701	30,639	296,340	
Driver Training	3-5	7,405	0	3,366	5,001	5,770	0	5,770	
Title I	3-6	0	0	59,316	59,316	0	0	0	
Class Size Reduction Fund	3-7	0	0	25,220	25,220	0	0	0	
Food Service Fund	3-8	15,153	0	212,051	221,643	5,561	0	5,561	
Professional Development Fund	3-9	7,367	0	0	5,268	2,099	0	2,099	
Gifts and Grants Fund	3-10	19	0	14,317	12,052	2,284	0	2,284	
Parents as Teachers Fund	3-11	1,286	0	46,488	47,774	0	690	690	
Special Education Fund	3-12	188,232	0	448,442	625,341	11,333	0	11,333	
Small Rural School Fund	3-13	(18,478)	0	32,181	13,703	0	0	0	
Vocational Education Fund	3-14	0	0	134,504	134,504	0	0	0	
Kpers Retirement Fund	3-15	0	0	214,913	214,913	0	0	0	
Contingency Reserve Fund	3-16	62,433	0	0	0	62,433	0	62,433	
Textbook Rental Fund	3-17	50,606	0	0	3,469	47,137	0	47,137	
Bond and Interest Funds:									
Bond and Interest Fund	3-18	283,558	0	277,390	257,315	303,633	0	303,633	
Total Reporting Entity (Excluding Agency Funds)		\$ 984,416	\$ 0	\$ 5,615,940	\$ 5,807,612	\$ 792,744	\$ 39,020	\$ 831,764	
Composition of Cash Checking Account								\$	831,764
Total Cash									831,764

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2014

STATEMENT 2

Fund	Statement Number	Certified Budget	Adjustments To Comply With Legal Max	Adjustments For Qualifying Budget Credits	Total Budget For Comparison	Expenditures Chargeable To Current Year	Variance Over (Under)
General Funds:							
General Fund	3-1	\$ 3,023,309	\$ (188,178)	0	\$ 2,835,131	\$ 2,835,131	\$ 0
Supplemental General	3-2	1,045,691	(22,342)	0	1,023,349	1,023,349	0
Special Purpose Funds:							
At Risk (K-12)	3-3	248,702	0	0	248,702	245,498	(3,204)
Capital Outlay	3-4	324,258	0	0	324,258	78,115	(246,143)
Driver Training	3-5	8,884	0	0	8,884	5,001	(3,883)
Food Service	3-8	241,367	0	0	241,367	221,643	(19,724)
Professional Development	3-9	7,000	0	0	7,000	5,268	(1,732)
Parent Education Program	3-11	46,488	0	0	46,488	47,774	1,286
Special Education	3-12	779,171	0	0	779,171	625,341	(153,830)
Vocational Education	3-14	152,761	0	0	152,761	134,504	(18,257)
Kpers Retirement	3-15	237,435	0	0	237,435	214,913	(22,522)
Bond and Interest Funds:							
Bond And Interest	3-18	257,365	0	0	257,365	257,315	(50)
TOTALS		\$ 6,372,431	\$ (210,520)	0	\$ 6,161,911	\$ 5,693,852	\$ (468,059)

See Accountant's Report and Accompanying Notes

**REGULATORY - REQUIRED
SUPPLEMENTARY INFORMATION**

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

GENERAL FUND

STATEMENT 3-1

	Prior Year	Current Year		
	Actual	Actual	Budget	Variance Over
	Transactions	Transactions		(Under)
Cash Receipts				
Taxes in Process	\$ 9,977	\$ 13,004	\$ 9,066	\$ 3,938
Current Tax	511,948	530,894	505,303	25,591
Delinquent Tax	4,431	4,060	5,048	(988)
State Equilization Aid	2,164,513	1,930,486	2,023,810	(93,324)
Other/Transfer	160,000	0	55,000	(55,000)
Special Education Aid	427,122	356,687	425,082	(68,395)
ARRA Stabilization	0	0	0	0
Education Jobs	0	0	0	0
Reimbursements	0	0	0	0
Total Cash Receipts	<u>\$ 3,277,991</u>	<u>\$ 2,835,131</u>	<u>\$ 3,023,309</u>	<u>\$ (188,178)</u>
Expenditures				
Instruction	\$ 1,838,453	\$ 1,584,398	\$ 1,573,334	\$ 11,064
Student Support Services	12,448	10,606	12,852	(2,246)
Instructional Support Staff	99,997	70,811	101,450	(30,639)
General Administration	158,614	164,084	160,367	3,717
School Administration	263,826	259,685	266,446	(6,761)
Other Supplemental Service	66,938	61,838	0	61,838
Operations and Maintenance	35	0	0	0
Student Transportation Services	256,785	76,105	151,113	(75,008)
Other Supplemental Service	9,653	21,306	83,963	(62,657)
Operating Transfers	663,041	606,168	673,784	(67,616)
Adjustment for Reimbursements	(91,799)	(19,870)	0	0
Adjustment For Legal Max	0	0	(188,178)	0
Total Expenditures	<u>\$ 3,277,991</u>	<u>\$ 2,835,131</u>	<u>\$ 2,835,131</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash - Beginning	0	0		
Unencumbered Cash - Ending	<u>\$ 0</u>	<u>\$ 0</u>		

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis

For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

SUPPLEMENTAL GENERAL FUND

STATEMENT 3-2

	Prior Year Actual Transactions	Current Year		
		Actual Transactions	Budget	Variance Over (Under)
Cash Receipts				
Taxes in Process	\$ 0	\$ 0	\$ 0	\$ 0
Current Tax	675,271	747,042	15,579	731,463
Delinquent Tax	8,533	7,260	6,530	730
Motor Vehicle Tax - 16/20 Truck	89,410	83,534	80,861	2,673
Recreational Vehicle Tax	907	895	1,070	(175)
State Mach/Equip/Tele	0	0	0	0
State Aid	308,462	208,803	209,864	(1,061)
ARRA Stabilization	0	0	0	0
Other	20	30	0	30
Total Cash Receipts	<u>\$ 1,082,603</u>	<u>\$ 1,047,564</u>	<u>\$ 313,904</u>	<u>\$ 733,660</u>
Expenditures				
Instruction	\$ 144,054	\$ 63,386	\$ 30,186	\$ 33,200
Instructional Support Service	21,411	11,497	2,000	9,497
General Administration	15,245	8,416	2,000	6,416
Support Service	0	0	7,814	(7,814)
Operation and Maintenance	537,136	591,043	447,586	143,457
Transportation	0	72,491	119,435	(46,944)
Operating Transfers	377,716	276,516	436,670	(160,154)
Adjustment For Legal Max	0	0	0	0
Total Expenditures	<u>\$ 1,095,562</u>	<u>\$ 1,023,349</u>	<u>\$ 1,045,691</u>	<u>\$ (22,342)</u>
Receipts Over (Under) Expenditures	(12,959)	24,215		
Unencumbered Cash - Beginning	<u>75,537</u>	<u>62,578</u>		
Unencumbered Cash - Ending	<u>\$ 62,578</u>	<u>\$ 86,793</u>		

UNIFIED SCHOOL DISTRICT NO. 108

Washington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES

ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2014

(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-3AT RISK (K-12) FUND

	<u>Current Year</u>			<u>Variance Over (Under)</u>
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Other	4,063	0	0	0
Transfer from Supplemental	\$ 0	\$ 245,498	\$ 0	\$ 245,498
Transfer from General	<u>235,919</u>	<u>0</u>	<u>248,702</u>	<u>(248,702)</u>
Total Cash Receipts	\$ <u>239,982</u>	\$ <u>245,498</u>	\$ <u>248,702</u>	\$ <u>(3,204)</u>
Expenditures				
Instruction/Support	<u>239,982</u>	<u>245,498</u>	<u>248,702</u>	<u>(3,204)</u>
Total Expenditures	\$ <u>239,982</u>	\$ <u>245,498</u>	\$ <u>248,702</u>	\$ <u>(3,204)</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>		
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>		

UNIFIED SCHOOL DISTRICT NO. 108

Washington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES

ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2014

(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

CAPITAL OUTLAY FUNDSTATEMENT 3-4

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Ad Valorem Tax/Prior	\$ 0	\$ 0	\$ 0	\$ 0
Delinquent Tax	21	0	0	21
Interest on Idle Funds	6,386	5,060	0	6,386
Other Local Source	28,582	14,499	0	28,582
Transfer from General	0	0	0	0
Total Cash Receipts	\$ 34,989	\$ 19,559	\$ 0	\$ 34,989
Expenditures				
Property (Equipment & Furnishing)	\$ 0	\$ 0	\$ 324,258	\$ (324,258)
Reconstruction, Repair & Remodel	19,548	78,115	0	78,115
Total Expenditures	\$ 19,548	\$ 78,115	\$ 324,258	\$ (246,143)
Receipts Over (Under) Expenditures	15,441	(58,556)		
Unencumbered Cash - Beginning	308,816	324,257		
Unencumbered Cash - Ending	\$ 324,257	\$ 265,701		

UNIFIED SCHOOL DISTRICT NO. 108

Washington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES

ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2014

(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

DRIVER TRAINING FUND

STATEMENT 3-5

	Current Year			
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
State Aid	\$ 2,325	\$ 2,040	\$ 2,300	\$ (260)
Other	2,450	1,326	2,000	(674)
Student Fees	0	0	0	0
Total Cash Receipts	<u>\$ 4,775</u>	<u>\$ 3,366</u>	<u>\$ 4,300</u>	<u>\$ (934)</u>
Expenditures				
Instruction	\$ 7,537	\$ 5,001	\$ 8,884	\$ (3,883)
Maintenance Service	58	0	0	0
Total Expenditures	<u>\$ 7,595</u>	<u>\$ 5,001</u>	<u>\$ 8,884</u>	<u>\$ (3,883)</u>
Receipts Over (Under) Expenditures	(2,820)	(1,635)		
Unencumbered Cash - Beginning	<u>10,225</u>	<u>7,405</u>		
Unencumbered Cash - Ending	<u>\$ 7,405</u>	<u>\$ 5,770</u>		

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis

For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

	<u>TITLE I FUND</u>	<u>STATEMENT 3-6</u>
	Prior Year 2013	Current Year 2014
Cash Receipts		
Federal Sources	\$ 65,903	\$ 59,316
Transfers	0	0
Total Cash Receipts	<u>65,903</u>	<u>59,316</u>
Expenditures		
Instruction	<u>65,903</u>	<u>59,316</u>
Total Expenditures	<u>65,903</u>	<u>59,316</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis

For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

CLASS SIZE REDUCTION FUND
Title II - A

STATEMENT 3-7

	Prior Year 2013	Current Year 2014
Cash Receipts	\$ <u>25,503</u>	\$ <u>25,220</u>
Salaries	<u>25,503</u>	<u>25,220</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis

For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

FOOD SERVICE FUND

STATEMENT 3-8

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Federal Aid	\$ 98,785	\$ 97,599	\$ 95,488	\$ 2,111
State Aid	7,337	11,048	1,843	9,205
Student & Adult Receipts	55,865	58,173	54,132	4,041
Miscellaneous	1,699	150	0	150
Operating Transfers	70,048	45,081	74,752	(29,671)
Total Cash Receipts	\$ <u>233,734</u>	\$ <u>212,051</u>	\$ <u>226,215</u>	\$ <u>(14,164)</u>
Expenditures				
Salaries	\$ 63,936	\$ 59,926	\$ 68,000	\$ (8,074)
Employee Benefits	55,762	53,479	56,942	(3,463)
Food & Supplies	105,801	107,413	115,925	(8,512)
Other	1,493	825	500	325
Total Expenditures	\$ <u>226,992</u>	\$ <u>221,643</u>	\$ <u>241,367</u>	\$ <u>(19,724)</u>
Receipts Over (Under) Expenditures	6,742	(9,592)		
Unencumbered Cash - Beginning	8,410	15,153		
Unencumbered Cash - Ending	\$ <u>15,152</u>	\$ <u>5,561</u>		

UNIFIED SCHOOL DISTRICT NO. 108
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SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

PROFESSIONAL DEVELOPMENT FUND

STATEMENT 3-9

	<u>Current Year</u>			
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts				
State of Kansas	\$ 0	\$ 0	\$ 0	\$ 0
Reimbursements	0	0	0	0
Operating Transfers	0	0	0	0
Total Cash Receipts	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures				
Salary	\$ 0	\$ 0	\$ 0	\$ 0
Purchased Proff & Tech Services	12,690	5,268	7,000	(1,732)
Other	0	0	0	0
Total Expenditures	<u>\$ 12,690</u>	<u>\$ 5,268</u>	<u>\$ 7,000</u>	<u>\$ (1,732)</u>
Receipts Over (Under) Expenditures	\$ (12,690)	(5,268)		
Unencumbered Cash - Beginning	<u>20,057</u>	<u>7,367</u>		
Unencumbered Cash - Ending	<u>7,367</u>	<u>\$ 2,099</u>		

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis

For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

	<u>GIFTS AND GRANTS</u>	<u>STATEMENT 3-10</u>
	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Miscellaneous	\$ <u>56,234</u>	\$ <u>14,317</u>
Cash Disbursements		
Salaries	0	0
Other Purchased Property/Services	<u>56,215</u>	<u>12,052</u>
Total Disbursements	<u>56,215</u>	<u>12,052</u>
Receipts Over (Under) Expenditures	19	2,265
Unencumbered Cash - Beginning	<u>0</u>	<u>19</u>
Unencumbered Cash - Ending	\$ <u>19</u>	\$ <u>2,284</u>

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

PARENTS AS TEACHERS FUND

STATEMENT 3-11

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
State Sources	\$ 27,697	\$ 28,174	\$ 28,175	\$ (1)
Budgeted Reimbursements	0	0	0	0
Transfer from Supp General	9,002	9,157	9,157	0
Other Local Sources	9,001	9,157	9,156	1
Total Cash Receipts	\$ <u>45,700</u>	\$ <u>46,488</u>	\$ <u>46,488</u>	\$ <u>0</u>
Expenditures				
Instruction	\$ <u>45,700</u>	\$ <u>46,488</u>	\$ <u>46,488</u>	\$ <u>0</u>
Total Expenditures	\$ <u>45,700</u>	\$ <u>46,488</u>	\$ <u>46,488</u>	\$ <u>0</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash - Beginning	0	0		
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>		

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

SPECIAL EDUCATION FUND

STATEMENT 3-12

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Other Local	\$ 28,306	\$ 0	\$ 0	\$ 0
Transfer from General	427,122	360,668	425,082	(64,414)
Transfer from Supp General	184,787	87,774	200,000	(112,226)
Operating Transfers	0	0	0	0
Total Cash Receipts	\$ 640,215	\$ 448,442	\$ 625,082	\$ (176,640)
Expenditures				
Instruction	\$ 730,992	\$ 600,547	\$ 727,471	\$ (126,924)
Vehicle Operating Service	21,294	24,794	36,700	(11,906)
Transfer to General		0	15,000	(15,000)
Total Expenditures	\$ 752,286	\$ 625,341	\$ 779,171	\$ (153,830)
Receipts Over (Under) Expenditures	(112,071)	(176,899)		
Unencumbered Cash - Beginning	300,303	188,232		
Unencumbered Cash - Ending	\$ 188,232	\$ 11,333		

UNIFIED SCHOOL DISTRICT NO. 108
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SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis

For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

SMALL RURAL SCHOOL FUND

STATEMENT 3-13

	Prior Year 2013	Current Year 2014
Cash Receipts - State	\$ <u>0</u>	\$ <u>32,181</u>
Cash Disbursements		
Salaries	18,478	13,703
Property	<u>0</u>	<u>0</u>
Total Disbursements	<u>18,478</u>	<u>13,703</u>
Receipts Over (Under) Expenditures	(18,478)	18,478
Unencumbered Cash - Beginning	<u>0</u>	<u>(18,478)</u>
Unencumbered Cash - Ending	\$ <u>(18,478)</u>	\$ <u>0</u>

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis

For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

VOCATIONAL EDUCATION FUND

STATEMENT 3-14

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Reimbursements	5,611	0	0	0
Operating Transfers	0	0	0	0
General	0	0	0	0
Supplemental General	\$ 113,878	\$ 134,504	\$ 152,761	\$ (18,257)
Total Cash Receipts	<u>\$ 119,489</u>	<u>\$ 134,504</u>	<u>\$ 152,761</u>	<u>\$ (18,257)</u>
Expenditures				
Instruction				
Salaries	80,904	103,255	103,997	(742)
Employee Benefits	25,836	25,865	37,950	(12,085)
Supplies	12,749	5,384	9,964	(4,580)
Other	0		0	0
Operations & Maintenance			0	0
Purchased Property Service	0		850	(850)
Supplies, Utilities	\$ 0	\$ 0	\$ 0	\$ 0
Total Expenditures	<u>\$ 119,489</u>	<u>\$ 134,504</u>	<u>\$ 152,761</u>	<u>\$ (18,257)</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash - Beginning	0	0		
Unencumbered Cash - Ending	<u>\$ 0</u>	<u>\$ 0</u>		

UNIFIED SCHOOL DISTRICT NO. 108
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SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis

For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

KPERS RETIREMENT FUND

STATEMENT 3-15

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Employers Payments	\$ 213,905	\$ 214,913	\$ 237,435	\$ (22,522)
Total Cash Receipts	\$ 213,905	\$ 214,913	\$ 237,435	\$ (22,522)
Expenditures				
Benefits	\$ 213,905	\$ 214,913	\$ 237,435	\$ (22,522)
Total Expenditures	\$ 213,905	\$ 214,913	\$ 237,435	\$ (22,522)
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash - Beginning	0	0		
Unencumbered Cash - Ending	\$ 0	\$ 0		

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SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis

For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

CONTINGENCY RESERVE FUND

STATEMENT 3-16

	Prior Year 2013	Current Year 2014
Cash Receipts	\$ <u>0</u>	\$ <u>0</u>
Expenditures	<u>160,000</u>	<u>0</u>
Receipts Over (Under) Expenditures	(160,000)	0
Unencumbered Cash - Beginning	<u>222,433</u>	<u>62,433</u>
Unencumbered Cash - Ending	\$ <u>62,433</u>	\$ <u>62,433</u>

UNIFIED SCHOOL DISTRICT NO. 108
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SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

TEXTBOOK & STUDENT MATERIAL REVOLVING FUND

STATEMENT 3-17

	Prior Year 2013	Current Year 2014
Cash Receipts		
Textbook Rental	\$ 0	\$ 0
Total Cash Receipts	<u>0</u>	<u>0</u>
Expenditures		
Textbooks	<u>10,988</u>	<u>3,469</u>
Total Expenditures	<u>10,988</u>	<u>3,469</u>
Receipts Over (Under) Expenditures	(10,988)	(3,469)
Unencumbered Cash - Beginning	<u>61,594</u>	<u>50,606</u>
Unencumbered Cash - Ending	\$ <u>50,606</u>	\$ <u>47,137</u>

UNIFIED SCHOOL DISTRICT NO. 108
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SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis

For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

DEBT SERVICE FUND

STATEMENT 3-18

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Motor Vehicle Tax	\$ 20,912	\$ 20,783	\$ 24,284	\$ (3,501)
Delinquent	2,396	2,241	2,140	101
Ad Valorem Taxes	215,828	223,286	218,472	4,814
Other Local Sources	42	9	0	9
Recreational Vehicle Tax	248	264	321	(57)
State Aid	39,647	20,585	20,589	(4)
Taxes in Process	4,862	6,130	0	6,130
16/20 M Truck Tax	3,513	4,092	0	4,092
State Mach/Equip/Tele			0	0
Total Cash Receipts	<u>\$ 287,448</u>	<u>\$ 277,390</u>	<u>\$ 265,806</u>	<u>\$ 11,584</u>
Expenditures				
Bond Principal	\$ 200,000	\$ 200,000	\$ 200,000	\$ 0
Bond Interest	64,315	57,315	57,315	0
Commission and Postage			50	(50)
Total Expenditures	<u>\$ 264,315</u>	<u>\$ 257,315</u>	<u>\$ 257,365</u>	<u>\$ (50)</u>
Receipts Over (Under) Expenditures	23,133	20,075		
Unencumbered Cash - Beginning	<u>260,425</u>	<u>283,558</u>		
Unencumbered Cash - Ending	<u>\$ 283,558</u>	<u>\$ 303,633</u>		

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014

DISTRICT/SCHOOL ACTIVITY FUNDS

Funds:	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Add Outstanding Encumbrances & A/P	STATEMENT 4	
							Ending Cash Balance	Ending Cash Balance
Cheerleaders	1,295	0	8,865	8,788	1,372	0	0	1,372
Drill Team	346	0	6,520	5,289	1,577	0	0	1,577
Athletics - High School	6,111	0	45,867	48,978	3,000	0	0	3,000
Tiger Tech Project	4,099	0	0	0	4,099	0	0	4,099
Paw Prints	1,632	0	0	0	1,632	0	0	1,632
FFA	14,521	0	46,237	41,669	19,089	0	0	19,089
FCCLA	364	0	15,478	11,917	3,925	0	0	3,925
Student Council	609	0	5,485	5,627	467	0	0	467
Annual Club - Yearbook	6,559	0	7,439	5,760	8,238	0	0	8,238
FBLA	1,606	0	17,115	15,752	2,969	0	0	2,969
Art Club	975	0	309	640	644	0	0	644
Foreign Language	211	0	755	606	360	0	0	360
Drama	3,393	0	3,029	2,682	3,740	0	0	3,740
Band Trip Project	99	0	0	0	99	0	0	99
Student Supplies	2,550	0	8,754	8,406	2,898	0	0	2,898
Student Activities	8,682	0	6,420	7,761	7,341	0	0	7,341
Class of 2014	2,061	0	0	2,063	(2)	0	0	(2)
Class of 2015	3,678	0	12,482	14,211	1,949	0	0	1,949
Class of 2016	0	0	29,199	19,183	10,016	0	0	10,016
Class of 2017	0	0	0	0	0	0	0	0
Subtotal High School	58,791	0	213,954	199,332	73,413	0	0	73,413
Washington Grade School Student Activity	11,160	0	16,508	22,455	5,213	0	0	5,213
Total Student Activity Funds	69,951	0	230,462	221,787	78,626	0	0	78,626

UNIFIED SCHOOL DISTRICT NO. 108
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SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2014

DISTRICT TRUST FUNDS

Funds:	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Add Outstanding Encumbrances & A/P	<u>STATEMENT 5</u>	
							Ending Cash Balance	
Brent Jones Memorial	2,543	0	17	50	2,510	0	2,510	
USD 108 Endowment	41,223	0	7,971	5,521	43,673	0	43,673	
Total District Trust Funds	43,766	0	7,988	5,571	46,183	0	46,183	

This is not a budgeted fund.
See Accountant's Report and Accompanying Notes

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Unified School District No. 108 is a municipal Corporation established under Kansas Statute. All USDs in Kansas are required to be audited under K.S.A. 75-1122. The District is governed by an elected seven member board. The financial statements present the financial condition and results of operation of the district. The District's major operations include primary and secondary education for young people. The scope of the entity for financial reporting purposes is designed as those funds for which the District has oversight responsibility and is primarily accountable. Oversight responsibility includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds.

This report is intended solely for the information and use of the Board of Education and management of USD 108, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and Kansas State Board of Education, and should not be used for any other purposes.

The Kansas Municipal Audit and Accounting Guide will be referred to as KMAAG throughout the notes.

Basis of Presentation

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restricts, or limitations. The following are Regulatory Basis Fund Types:

Regulatory Basis Fund Types

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital project fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.)

Trust fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

Basis of Accounting-KMAAG Regulatory Basis of Accounting (Formerly Statutory Basis)

The KMAAG regulatory audit requirement of K.S.A. 75-1122 applies to each individual municipality as defined in K.S.A. 75-1117. The KMAAG regulatory financial reporting entity is comprised of the “municipality” as defined in K.S.A. 75-1117, as a minimum, and may also include certain separate legal entities referred to as “related municipal entities” as defined by KMAAG.

UNIFIED SCHOOL DISTRICT NO. 108
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NOTES TO FINANCIAL STATEMENTS
June 30, 2014

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

GAAP Basis Financial Statements - Minimum Requirements. GAAP basis financial statements are financial statements prepared in accordance with "Governmental Accounting and Financial Reporting Standards" as promulgated by the Governmental Accounting Standards Board (GASB). For KMAAG purposes, if GAAP basis financial statements are presented, the basic financial statements and notes must be presented at a minimum. All other supplemental schedules are optional. However, the KMAAG mandatory note disclosures (if applicable) must still be presented even though they might not otherwise be required by GAAP to be included in the notes. KMAAG does not provide an example of GAAP financial statements.

Regulatory Basis Financial Statements - Minimum Requirements. If GAAP basis financial statements are not presented, then: 1) a GAAP waiver resolution must be passed, and 2) regulatory basis financial statements including regulatory-required supplementary information, must be presented. Regulatory basis financial statements are financial statements prepared in accordance with the guidelines of KMAAG. Such financial statements are prepared on a basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas and prepared in accordance with the prescribed format established by KMAAG.

The regulatory basis financial statement consists of a single basic financial statement which a summary statement is containing all funds and related municipalities included in the financial reporting entity and demonstrating compliance with the cash basis law. The remainder of the required financial information to be presented is considered regulatory-required supplementary information which includes 1) a fund summary schedule containing all funds and showing compliance with the budget law for those funds required to be budgeted, 2) individual fund schedules for all funds except agency funds, with budget comparisons for those funds required to be budgeted, 3) a fund summary schedule, for agency funds only, showing cash balances and changes therein, and 4) special schedules unique to the municipality. Note: Regulatory-required supplementary information are the additional schedules that are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide and are not to be considered as required supplementary information as defined by auditing standards generally accepted in the United States of America. In addition, the KMAAG mandatory note disclosures must be presented and must include all disclosures necessary for fair presentation in accordance with the KMAAG regulatory basis framework. All other schedules that may be presented are optional.

Departure from GAAP

A waiver from the requirement to prepare and audit GAAP basis financial statements is necessary *only if* the municipality decides to present regulatory basis financial statements. A waiver is not required for financial statements that are prepared in accordance with the GAAP basis framework but include certain departures from GAAP. For example, if GAAP financial statements are presented but do not include the management discussion and analysis, this would be a departure from GAAP. However, even lacking the management discussion and analysis required supplementary information, the basic financial statements may still be presented on a GAAP basis framework, thus a waiver would not be required. The District has approved a resolution that is compliance with K.S.A. 75-1120a(c) waiving the annual for application of GAAP for the year ended 6/30/14. This waiver is completed annually and allows the District to use the regulatory basis of accounting.

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balance, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute

UNIFIED SCHOOL DISTRICT NO. 108
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NOTES TO FINANCIAL STATEMENTS
June 30, 2014

expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statement.

Reimbursed Expenses

The purpose of these expenditures is to repay the district for amounts remitted on behalf of another party and such expenditures are exempt for the budget law under K.S.A. 79-2934. Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement. The Municipality records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

2013 Financial Data

Amounts that are shown for 2013 in the accompanying financial statements are included where practical, only to provide a basis for comparison with 2014, and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

Cash and Investments

Cash balances from all funds are combined and invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

Ad Valorem Tax Revenue

The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually the determination of assessed valuation and the collections of property taxes for all political subdivisions in determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the District by January 20 to help finance the current year's budget. The second half is due May 10 and distributed to the District June 5. The District Treasurer draws all available funds from the County Treasurer's Office at designated times throughout the year.

Budgetary Data

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service fund. The statutes provide for the following sequence and time table in the adoption of the annual operating budget:

- Preparation of the budget for the succeeding calendar year on or before August 1st.
- Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
- Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increase in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. These taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20 and May 10. Delinquent taxes are assessed interest at 9% per annum. This interest is retained by the County.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit

UNIFIED SCHOOL DISTRICT NO. 108
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NOTES TO FINANCIAL STATEMENTS
June 30, 2014

expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budget receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditures authority) lapse at year-end.

A legal operating budget is not required for trust funds, agency funds, and the following special revenue funds: Textbooks and Student Materials, Athletic Gate Receipts and other School Agency/Activity Funds, Fee and User Charges/Clearing Accounts, Contingency Reserve, Employee Benefits, and Federal Funds.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body. Inventories and prepaid expenses which benefit future periods are recorded as an expenditures during the year of purchase. For disclosure purposes, material inventories would be reported as an asset offset by a reserve. The district had no material inventories.

A legal operating budget is not for required for the contingency fund, trust and agency funds, and the following special revenue funds: Textbook Rental, Class Size Reduction, Gifts and Grants, Small Rural School, and Title I.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance With Kansas Statutes and Other Finance Related Legal Matters

There are no noted violations with such compliance requirements.

NOTE C- DEPOSITS AND INVESTMENTS

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk. Cash balances from all funds are combined and invested to the extent available in certificates of deposits and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Municipality's deposits may not be returned to it. State statutes require the Municipality's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2013.

At year-end the carrying amount of the district's deposits was \$831,764 which was held in a checking account. A bank balance of the USD activity accounts was \$78,626 and the trust fund accounts totaled \$46,183. Any differences between the carrying amount and the bank balance are outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining balance was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the district's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a third-party custodial agreement signed by all three parties: the district, the pledging bank, and

UNIFIED SCHOOL DISTRICT NO. 108
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NOTES TO FINANCIAL STATEMENTS
June 30, 2014

the independent third-party banks holding the securities.

Investment Policy

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit investment choices. Funds of the district were on deposit in interest bearing accounts in banks and Certificates of Deposits issued by banks at June 30, 2014.

The cash of each of the funds of the district is pooled together so that better management of cash and investments can be practiced, resulting in greater earnings accruing to the district. Please refer to Statement 1 to review how the various funds are accruing interest.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

NOTE D- FRINGE BENEFIT PLAN I.R.C. 125/HEALTH INSURANCE PLAN

CAFETERIA PLAN

The District has in place an IRS-IRC Section #125 "Cafeteria" Fringe Benefit Plan. The options under the plan are salary reduction options. Eligible classified employees shall be included in the Plan and will follow IRS limits and guidelines for various applicable areas. Each teacher shall become a participant upon electing to be a participant as set forth in said plan and shall be subject to the rules and regulations of said plan. The terms and provisions of said plan shall be subject to being changed at any time by the mutual consent of the School District and the recognized professional negotiating unit of the teachers of U.S.D. No. 108. Provisions available are:

- Group Term Life Insurance (\$50,000 maximum)
- Disability Income Insurance
- Cancer Insurance
- Medical Reimbursement Accounts
- Dependent Care Reimbursement Accounts
- Vision Insurance
- Dental Insurance
- Dependent Life Insurance
- Heart and Stroke Insurance

HEALTH INSURANCE

USD No. 108 will participate in the State of Kansas Employee Health Care Program. The Board will purchase for each certified full time teacher that is at least .48 FTE who enrolls in the State of Kansas Employee Health Care Program a single plan of health insurance. Any part time certified teacher that is at least .3 FTE who enrolls in the State of Kansas Employee Health Care Program will receive part time benefits as specified in the plan. The Board will contribute towards the dependent care plans those amounts required by State of Kansas Employee Health Care Program pursuant to the five year ramp up provisions. No cash in lieu of insurance is permitted. Each employee enrolled in the State of Kansas Employee Health Care Program shall participate in any cost savings program offered by the plan, otherwise known as the HealthQuest Program. Any employee choosing to not successfully participate will be responsible for payment of any additional cost to the plan.

NOTE E- CONTINGENT LIABILITIES

The district has computed the unfunded accumulated sick/personal leave costs as of June 30, 2014, to be \$219,765. Liability for compensated absences is not reflected in the financial statements.

UNIFIED SCHOOL DISTRICT NO. 108
Washington, Kansas

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE F- COMPENSATED ABSENCES
(As Outlined In Pertinent Handbooks)
CLASSIFIED EMPLOYEES

VACATION

- a. Except as otherwise herein provided, only full-time classified employees shall be eligible for vacation. For the purpose of determining vacation eligibility, a full-time classified employee shall be an employee who regularly works at least (40) hours per week for fifty-two (52) weeks each year.
- b. Each full-time classified employee who is entitled to vacation shall receive twenty-five (25) days per year or 2.08 days for each full month of employment of paid vacation. An employee shall only be eligible to use vacation which has been earned as a result of his employment. Vacation days may not be accumulated from year to year and all vacation earned in any year of employment shall be used within three (3) months after the end of the year of employment and if not so used, shall be lost.
- c. The dates for taking vacation leave shall be scheduled in consultation with and approved by the employee's supervisor or the Superintendent of Schools.
- d. An employee entitled to a paid holiday, which occurs during the time of the employee's authorized vacation leave will not be counted as a day of vacation.
- e. Employees may use vacation leave in units of not less than four (4) hours.
- f. Upon termination, an employee shall be compensated for all earned but unused vacation leave.
- g. Full-time employees for at least nine (9) months each year (employees who do not work during the months of June, July and August) shall be entitled to the same vacation rights as full-time employees as above set forth except that such employees shall receive earned vacation for only the months in which they work each year or three-fourths (3/4) of twenty-five (25) days per year vacation accrued at the rate of 2.08 days per month of work and such vacation may only be taken when school is not in session.
- h. The amount of compensation an employee shall receive for vacation pay shall be equal to the wages he/she would have earned for the number of hours he/she would have been scheduled to work during his/her vacation time.
- i. All vacation earned by any classified employee by June 30th in any year shall be taken and used by the employee by September 30th of the same year and any vacation not so taken or used shall be lost and shall not accumulate.

SICK LEAVE

Except as hereinafter provided, full-time classified employees shall be entitled to sick leave with pay for absences resulting from illness, injuries, accidents, or physical incapacity occurring either on or off the job of the employee and for serious illness or death of the employee's spouse, child, parent, grandchild, grandparent, mother and father-in-law, sibling, or any other dependent person making his/her home with the employee.

- a. Amount of Sick Leave. Each full-time classified employee eligible for sick leave shall earn .83 days of sick leave for each full month of employment.
- b. Accumulation of Sick Leave. No employee may accrue more than sixty (60) days of sick leave.
- c. Pay for Sick Leave. Any employee taking a day of sick leave shall be paid for the normal amount of time the employee would have been scheduled to work during the time sick leave is taken.
- d. Doctor's Certificate. The Superintendent may require a signed statement from a health care provider verifying the employee's inability to perform his/her assigned duties because of illness.
- e. Notification. To be eligible for paid sick leave, an employee, or his/her representative, shall notify his/her immediate supervisor before the beginning of the work day or as soon as practical but no later than two (2) hours after the beginning of the first work day for which sick leave is taken.
- f. Sick Leave for other than full-time employees. Employees of USD 108 who are not employed full-time or who are employed full-time for only part of the year, shall earn sick leave in a pro-rata amount based upon the number of hours such employees work compared to an employee who works forty (40) hours per week.
- g. Sick Leave Bank. A sick leave bank will be established to aid classified employees in the event of an extraordinary

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NOTES TO FINANCIAL STATEMENTS
June 30, 2014

lengthy illness. The bank shall operate as follows:

1. At the beginning of each school year, a sick leave bank of thirty-five (35) days shall be established which is not assigned to any individual. The sick leave provided by this bank shall be exclusive of any other sick leave provision and shall be limited to emergency situations such as prolonged illness or serious injury.
 2. These days (35) will be the only days in the bank in any one year. At the beginning of each school year thereafter, the Board will fill the bank to the original level of thirty-five (35) days. Any days remaining in the pool at the end of the school year will not be cumulative.
 3. Any employee may apply in writing to draw upon the bank in the event that an employee has used all earned sick leave otherwise provided for in this agreement. Such application shall be made to the Superintendent along with an explanation of reasons for the request. In extreme situations, application can be made after the lost time for illness and the request can be considered retroactive.
- h. Family and Medical Leave. Classified employees shall be provided family and medical leave as provided by a family and medical leave plan adopted by USD 108 and employees will need to use any paid leave first.

CERTIFIED EMPLOYEES

PERSONAL LEAVE

Each teacher shall receive two (2) days of paid personal leave, which are non- accumulative, which may be taken at the discretion of the teacher for things other than sickness with notice given to the administration and consent of administration obtained. Teachers may also trade six (6) sick days for two (2) additional personal day if said teacher has thirty (30) or more sick days. No more than two (2) teachers in the system may be on personal leave at one time unless extenuating circumstances exist. Personal leave will be granted on a first come, first serve basis. The teachers are to leave sufficient lesson plans regardless of the reason for the absence so a substitute can go ahead with the work of the class. The administration requests that personal leave not be taken during the last two (2) weeks of school. Personal leave can be taken in increments of no less than one-half days.

SICK LEAVE

Sick leave may be accrued at the rate of ten (10) days per year up to sixty (60) days. If more than the accrued sick leave is taken, deductions will be made from the last paycheck of the year at the rate of 1/185 of yearly pay for each day over the sick leave. The teacher is to have sufficient lesson plans regardless of the reason for absence so a substitute can go ahead with the work of the class. Sick leave may be taken to attend funerals or for illness of members of the immediate family (spouse, mother, father, sister, brother, children, mother-in-law, father-in-law, sister-in-law, brother-in-law, grandparents, uncles, aunts, nieces and nephews). Teachers will be notified of accumulated sick leave days at the beginning of each school year which information shall be placed in each teacher's personal file.

A sick leave bank will be established to aid certified employees in the event of an extra ordinary lengthy illness. The bank shall operate as follows:

- (1) At the beginning of each school year, a sick leave bank of forty (40) days shall be established which is not assigned to any individual. The sick leave provided by this bank shall be exclusive of any other sick leave provision and shall be limited to emergency situations such as prolonged illness or serious injury.
- (2) These days (40) will be the only days in the bank in any one (1) year. At the beginning of each school year thereafter, the Board will fill the bank to the original level of forty (40) days. Any days remaining in the pool at the end of the school year will not be cumulative. If all sick pool days are depleted, other teaching staff members may donate their unused sick leave days to replenish the pool upon approval from the Unified School District No. 108 Board of Education.
- (3) Any teacher may apply in writing to draw upon the bank in the event that a teacher has used all earned sick leave otherwise provided for in this agreement. Such application shall be made to the Superintendent along with an explanation of reasons for the request. In extreme situations, applications can be made after the lost time for illness and the request can be considered retroactive.
- (4) The sick leave bank shall be under the control of a committee which shall consist of the Superintendent, the building principal of the teacher requesting sick leave, one (1) board member, and two (2) teachers appointed by the association president.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2014

- (5) The Superintendent shall notify the applicant in writing regarding the action taken on request.

NOTE G- DEFINED BENEFIT PENSION PLAN/403(b) PLAN

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc. seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4921 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 5% of covered salary for Tier 1 members starting January 1, 2014 and 6% starting January 1, 2015. Tier 2 members remain at 6% of covered salary. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the statutory required employers share. The amount of KPERS Employer Contribution Payments FYE 6/30/2014 was \$214,913.

Unified School District No. 108 shall operate a 403(b) Plan. Each teacher shall become a participant upon electing to be a participant as set forth in said plan and shall be subject to the rules and regulations of said plan. The terms and provisions of said plan shall be subject to being changed at any time by the mutual consent of the School District and the recognized professional negotiating unit of the teachers of U.S.D. No. 108.

NOTE H- RISK FINANCING AND RELATED INSURANCE ISSUES

The district is exposed to various risks of loss related to torts; theft of, damage to; and destruction of assets; errors and omissions; injuries to employees; and nature disasters. The district continues to carry insurance for all risks of loss including workers compensation. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE I- FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value amounts for cash and cash equivalents approximate carrying amounts due to the short maturities of these instruments. Financial instruments that subject the district to significant concentration and credit risk consist of cash and cash equivalents. The district places its cash in market interest rate accounts and are insured fully by FDIC coverage and pledged securities with fair market value equal to or greater than its cash and cash equivalents.

NOTE J- FIDUCIARY/TRUST TYPE FUNDS

The District has two trust type funds, the USD 108 Endowment Fund and the Brent Jones Memorial. Please see Statements 5 for further information.

NOTE K- OTHER POST-EMPLOYMENT BENEFITS

As provided by K.S.A 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

NOTE L- IN-SUBSTANCE RECEIPT IN TRANSIT

The District received \$184,532 subsequent to June 30, 2014 and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2014.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE M- LONG-TERM DEBT

The District is responsible for Series 2008 General Obligation School Bonds. Please refer to Note U for further analysis of the bond issuance and information as well as Statement 3-18.

NOTE N- CAPITAL PROJECT COMPLIANCE

The District currently has no capital projects being undertaken.

NOTE O- LITIGATION CONTINGENCIES

The District currently has no litigation contingencies that it is involved in.

NOTE P- COMMITMENT AND CONTINGENCIES

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the District at June 30, 2013.

NOTE Q- SUBSEQUENT EVENTS

These financial statements considered subsequent events through November 10, 2014 the date the financial statements were available to be issued.

UNIFIED SCHOOL DISTRICT NO. 108
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NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note R - INTER-FUND TRANSACTIONS

Recurring annual transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue, to the fund authorized to expend the revenue, have been segregated from normal revenues and expenditures for reporting purposes are are:

FROM	TO	2014	2013
General	Special Education	360,669	427,122
General	Contingency Reserve	0	0
General	At Risk K-12	245,499	235,919
	Totals	606,168	663,041
Supplemental General	Food Service	45,081	70,048
Supplemental General	Vocational Education	134,504	113,878
Supplemental General	Special Education	87,774	184,787
Supplemental General	Parents as Teachers	9,157	9,003
	Totals	276,516	377,716
Contingency Reserve	General	0	160,000

Totals 882,684 1,200,757
The above transfers are included in the expenditures of the disbursing fund and included in the revenues of the receiving fund as required by the Cash Basis and Budget Laws of Kansas, and for budget comparison purposes.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note S - INTER-GOVERNMENTAL ASSISTANCE STATE

<u>Type of Aid</u>	<u>2014</u>	<u>2013</u>
General State Aid	\$ 1,844,136	2,164,513
Supplemental General State Aid	208,803	308,462
State Safety Driver's Ed	2,040	2,325
State Food Service	2,125	2,132
Parents As Teachers	28,174	27,696
Special Education	323,903	427,122
Capital Improvement Bond and Interest	20,585	39,647
Spec Ed Transportation Weighting	32,784	
GSA Transportation Weighting	86,350	
KPERS Employer Cont.	214,913	213,905
Totals	2,763,813	3,185,802

Note T - INTER-GOVERNMENTAL ASSISTANCE FEDERAL

<u>Type of Aid</u>	<u>2014</u>	<u>2013</u>
Title I Fund	\$ 59,316	65,903
Title II Improving Teacher Quality	25,220	25,503
Food Service	106,522	103,989
Totals	191,058	195,395

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note U - Bond Analysis

STATEMENT OF CHANGES IN LONG - TERM DEBT

Issue	Interest Rate	Amount of Issue	Date of Final Maturity	Balance		Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
				Beginning of Year	Additions				
General Obligation Bonds Series 2008	4.0 - 6.0 %	\$ 2,340,000	9/1/2019 \$	1,605,000 \$	0 \$	\$200,000 \$	-\$200,000 \$	\$1,405,000 \$	\$57,315
TOTAL LONG TERM - DEBT			\$	\$1,605,000 \$	\$0 \$	\$200,000 \$	-\$200,000 \$	\$1,405,000 \$	\$57,315

	YEAR					TOTAL
	2014	2015	2016-2017	2018-2019		
REMAINING						
General Obligation Bonds	\$ 210,000	\$220,000	\$470,000 \$	\$505,000	\$	\$1,405,000
PAID						
General Obligation Bonds	\$ 160,000	\$185,000	\$190,000	\$200,000	2013 \$200,000	\$935,000